

Message Text

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43

ACTION EB-04

INFO OCT-01 SS-04 NSC-04 NSCE-00 INR-01 CIAE-00 TRSE-00

FRB-01 RSC-01 EUR-03 ISO-00 /019 W

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P R 241650Z JAN 75

FM AMEBMBASSY BERN

TO SECSTATE WASHDC PRIORITY 152

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

US MISSION OECD PARIS

AMCONSUL ZURICH UNN

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LIMDIS -- GREENBACK

PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, SZ

SUBJ: SWISS BANKERS' CONCERN RE FOREIGN EXCHANGE SITUATION

1. CONVERSATIONS BY EMBASSY AND CONGEN ZURICH OFFICERS OVER LAST FEW DAYS WITH BANKERS IN ZURICH AND LUGANO AND CIVIL SERVANTS IN BERN INDICATE A) CONSIDERABLE VARIETY OF VIEWS AND UNCERTAINTY RE PRIMARY CAUSE OF CURRENT UPWARD PRESSURE ON SWISS FRANC, AND B) PERPLEXITY AND FRUSTRATION RE PROBLEM OF FINDING SET OF MEASURES WHICH WILL EFFECTIVELY HOLD SF RATE AT LEVEL ENABLING SWISS EXPORT AND TOURIST INDUSTRY TO CONTINUE COMPETE.

2. AS NOTED REFTTEL, MANY REASONS FOR HIGH SF CITED INCLUDING INTEREST RATE DIFFERENTIALS, CONCERN RE US
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ECONOMIC PROSPECTS AND POLICIES, LIQUIDATION OF POSI-

TIONS RELATED TO FINABANK/GENEVA CLOSURE AND SOCIETA
GENERALE IMMOBILIARE CONTRACTS, MIDDLE EAST FACTORS,
ETC., ETC.,

3. SWISS NATIONAL BANK (SNB) AND GOS ARE CLEARLY
DETERMINED CONTINUE TO ATTEMPT FIND COMBINATION OF MEASURES
WHICH WILL OFFSET UPWARD PRESSURE ON SF. AMONG RE-
MAINING POSSIBILITIES ARE RESTRICTIONS ON PURCHASES OF
BONDS AND SECURITIES AND OTHER RESTRICTIONS ON CAPITAL
TRANSACTIONS WITH ULTIMATE AND INCREASINGLY DISCOUNTED
SOLUTION BEING TWO-TIER MARKET. AUTHORITIES WILL AP-
ARENTLY ALLOW FEW DAYS FOR MEASURES ANNOUNCED JAN. 22
TO HAVE EFFECT ALTHOUGH IF PATTERN OF JAN. 24 (WHEN
DOLLAR/SF RATE HIT NEW LOW OF 2.4560) CONTINUES EARLY
NEXT WEEK FURTHER QUICK ACTION LIKELY. ONE POINT THAT
MUST BE EMPHASIZED IS THAT MARKET IS VERY THIN WITH RE-
LATIVELY SMALL TRANSACTIONS HAVING SUBSTANTIALEFFECT.
FURTHER INTERVENTION LIKELY ALTHOUGH LACK OF MEASURABLE
SUCCESS THUS FAR IN JANUARY OBVIOUSLY PROMPTS CAUTIOUS
ACTIVITY ON PART SNB.

4. IN OUR CONTACTS WE HAVE FOUND ONE POINT OF AGREEMENT
IS WIDELY-HELD IMPRESSION THAT USG AND FEDERAL RESERVE
ARE PRACTISING BENIGN NEGLECT AND ARE PREPARED SEE FURTHER
SUBSTANTIAL DOLLAR WEAKENING AGAINST STRONG EUROPEAN
CURRENCIES. WE HAVE NOT RPT NOT DISCUSSED THIS POINT
WITH NATIONAL BANK AND DO NOT KNOW IF IT SHARES THIS
MARKETPLACE PERCEPTION.

5. IF, IN FACT, USG AGENCIES AND FEDERAL RESERVE FEEL
PRESENT RATE RELATIONSHIPS ARE IN ACCEPTABLE RANGE
AND THAT LOWER DOLLAR IS NOT PARTICULARLY DESIRED, WE
WOULD SUGGEST THAT CONSIDERATION BE GIVEN TO STATEMENT
AND/OR ACTION THAT WOULD CLEARLY SHOW EXCHANGE MARKET
HOW WE ASSESS PRESENT SITUATION.
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